

OFFICE OF FINANCIAL MANAGEMENT

ACCOUNTING DIVISION

Agency Financial Reporting System

Electronic Funds Transfer (EFT)
Payments for Employees

May 2005

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Introduction

Electronic Funds Transfer (EFT) for employees is an optional feature that allows employees to have payments that are made to them through AFRS deposited directly into their bank account used for payroll. AFRS utilizes the payroll banking information from the HRISD Personnel/Payroll system and determines the method of payment (EFT or warrant).

Employees must request that this option be activated by signing an authorization form (Electronic Funds Transfer of Employee Non-Payroll Payments) or by sending an e-mail to their accounts payable office indicating they have read the authorization form and agree to the terms outlined on the form. The method of authorization is an internal agency decision – each agency can decide to accept only paper forms, only e-mails or both.

Key Features

- Utilizes existing banking information in the HRISD Personnel/Payroll system.
- Requires one-time setup to establish employee's request for non-payroll EFT.
- AFRS determines payment method by reading vendor record and HRISD file, so there is no change in processing employee payments.
- OFM sends remittance advice showing the amount paid and date of deposit to employee.

Benefits

Employee:

- Funds are automatically deposited without making a special trip to the bank. This is especially convenient for those who are frequently on the road.
- No lost, stolen or damaged warrants.

Agency:

- Warrant costs and postage charges are eliminated for EFT payments. There is no charge for the transfer of funds and OFM pays the postage for the remittance advices.
- Staff time previously spent mailing warrants can be redirected to more important tasks.

State

- It is less expensive for the State Treasurer to process EFT's than to redeem warrants and there are no cancellations or imaging of warrants.

Overview of Processes

Establishment of Employee EFT Request

- | | |
|-----------------|---|
| Employee | Completes EFT authorization form or e-mail requesting that all reimbursements be paid by EFT and forwards to fiscal office. |
| Fiscal | Updates employee vendor record on agency vendor file (screen VE.2) by changing EMPLOYEE EFT switch to Y (Yes). Note: Vendor Type 1 (employee) and employee social security number (SSN) are also required for this process. |
| System | Using SSN from agency vendor record, reads employee banking file to verify EFT status and returns message, as follows: |
- If record is found, the EFT status is “Yes” for this SSN in the payroll system. System displays employee name from HRISD file and instructs user to verify name. (This feature was designed to enable fiscal to catch incorrect SSN’s in the agency vendor file.)
 - If record is not found in the employee banking file, either the current EFT status is “No” for this SSN or the SSN on the vendor record is incorrect. System displays message ‘V62 - NOT SET UP FOR PAYROLL EFT.’

Employee Reimbursements

- | | |
|-----------------|---|
| Employee | Completes request for reimbursement (travel, A19, or other) and forwards to fiscal office. |
| Fiscal | Processes payment as usual using regular (i.e. warrant-producing) transaction code, such as 210, and vendor number from <u>agency</u> vendor file. |
| System | During the nightly process, AFRS will read the vendor file to see if an employee has requested EFT. If so, AFRS will read the employee banking file to see if there is valid bank account information. If there is, AFRS will process an EFT payment. If a valid bank account is not found, the employee will be paid by warrant. |

Instructions

I. Employee Authorization of Electronic Funds Transfer

Employees who want AFRS payments to be directly deposited to their bank accounts are required to authorize this method of payment. Currently, the authorization must be done separately from the payroll authorization even though the same bank account will be used. The reason for this is the payroll authorization form specifies payments for salary and wages, and the language is not inclusive enough to cover other types of payments.

Discussions with the Office of Attorney General and State Auditor's Office confirmed that a separate authorization was necessary. However, all parties agreed that an e-mail authorization is also acceptable if the e-mail system is secured by password. The employee needs to state in the e-mail authorization that they have read the form and agree to the terms outlined on the authorization form.

Each agency needs to decide which type of authorization – paper and/or e-mail – will be accepted. It is recommended that, whichever type is used, the agency retain the authorization for audit purposes. A copy of the form is provided as Attachment A. You may reproduce this form as needed. The form is also available as a Word document on the OFM web-site in the Statewide Administrative and Accounting Manual located at <http://www.ofm.wa.gov/policy/formsindex.htm>. The form name is Electronic Funds Transfer of Employee Non-Payroll Payments.

II. Updating Agency Vendor Record For Employees Requesting EFT

There is a field on the Vendor Edit Maintenance (VE.2) screen (shown below) used to indicate to AFRS that an employee has requested to be paid by EFT rather than warrant. The field is called EMPLOYEE EFT. This field, along with an employee's social security number, is the key to paying an employee electronically. When you receive an employee authorization for EFT (for non-payroll payments), update that employee's vendor record as described below. If there is no vendor record for this employee, you may need to establish a new record.

- Navigate to the Vendor Edit Maintenance screen (VE.2)
- View the employee vendor record
 - Type 'C' (Change) in the function field
 - Type 'Y' (Yes) in the EMPLOYEE EFT field
 - Verify that the VENDOR TYPE is 1 (employee)
 - Verify that the employee's SSN on the screen matches the SSN on the form
 - Verify that TAX TYPE is 'S' (SSN)
- Press ENTER

```
=== AFRS =(VE.2)===== AGENCY VENDOR MAINTENANCE ===== C105P140 ===
TR: _____ ORIGINAL ADD: 03/16/98 LAST UPDATE: 07/31/03 1050
LAST USED: 12/04/02
TRANSFER: N ('Y'=TRFR TO VE ONLINE VIEW, 'Z'=TRFR TO VE EDIT NAME/ADD1)
FUNCTION: C (A=ADD, C=CHNG, D=DEL, V=VIEW, N=NEXT, P=PRINT, X=GLOBAL CHNG)
SMITH, JOAN A
VENDOR NO: 0000098765 00 EMPLOYEE EFT: Y WARRANT TYPE: _
VENDOR NAME: JOAN A SMITH PHONE: _
ADD1: 123 MAPLE STREET N VENDOR TYPE: 1
ADD2: VENDOR STATUS: A
ADD3:
CITY/ST/ZIP: ANYTOWN WA 98555 US/FOREIGN ADDR: U (U OR F)
UBI:
FEDERAL ID: 999-88-7777 TAX TYPE: S IRS BOX: _
W9 ON FILE: _ IRS CROP: _ IRS RESALE: _
CONTRACT NO: _ OMWBE PAY FLAG: _ AGENCY FLAG: _
AGY CONTACT: _ SORT SEQ: _
DRS GENERATED (Y OR N): N IRS SWV OVERRIDE: N
*****
VE FILE COUNTS ==> DRS GEN: 121 AGENCY GEN: 2,901
*****
PF1=HELP, PF3=RETURN, PF4=LAST VE VIEW, PF12=MESSAGE, CLEAR=EXIT
VERIFY NAME, PRESS ENTER TO ADD/CHANGE
```

(Note: boxes are drawn around the key fields for employee EFT)

At this point, AFRS accesses an employee banking file that is updated nightly with payroll data from HRISD and contains ONLY employees currently receiving their paycheck by direct deposit. It looks for a match in this file using your agency number and the employee's SSN. Depending on what it finds, you will get one of the following results:

<u>If the employee banking file shows:</u>	<u>Result:</u>
A match (i.e. employee receives paycheck via direct deposit)	<p>The employee name from the HRISD file will display above the vendor name. The message 'VERIFY NAME, PRESS ENTER TO ADD/CHANGE' will display at the bottom of the screen.</p> <p><i>If the names match, press Enter. If the names do not match, check with employee and/or your payroll office to verify the SSN and try again.</i></p>
No match (i.e. employee currently receives paycheck via warrant OR the SSN listed on VE.2 for this employee is not correct)	<p>The message 'V62 – EMPLOYEE EFT INFO NOT FOUND' will display at the bottom of the screen.</p> <p><i>You cannot set the EMPLOYEE EFT switch to Yes for this employee. Verify the SSN and check with employee to see if they have recently requested to be paid by direct deposit or recently changed their payroll bank account. If so, wait several days and try again.</i></p>

NOTE: The address listed on the vendor record is where the vendor remittance advice will be mailed by OFM. Please note that if using a campus mail stop the city/state/zip should be Olympia, WA 98504. Do not use the 98504 zip code with a street address.

III. Making Payments to Employees Who Have Requested EFT

There are **NO CHANGES** to the procedure for making payments to employees who have requested EFT. You should pay them as usual using a warrant-producing transaction code (such as 210). You should also enter information in the INVOICE NUMBER field and, if necessary, the ACCOUNT NUMBER, INVOICE DATE and VENDOR MESSAGE fields. The information from all these fields will display on the remittance advice that OFM will send to the employee. Here is the process:

- Agency**
1. Enters payments in AFRS, Travel Voucher System (TVS), or in agency system that interfaces to AFRS including:
 - Agency vendor number
 - Appropriate coding (Fund, AI, PI, etc.)
 - Warrant-producing transaction code (i.e. 210)
 - Invoice number
 - Other informational fields (if needed for explanation)
 2. Verifies transactions for accuracy (especially vendor name/number) using Browse screen and/or Payments function accessed via the Batch Header Summary (IN.3) screen.
 3. Releases batch for processing.

NOTE: OFM strongly encourages agencies to separate the security functions of Transaction Input and Batch Release – especially when using the EFT process. (Reference SS.1 screen for individual security records.)

- AFRS**
4. Reads the agency vendor file to see if EMPLOYEE EFT = Y. If not, processes payment as a warrant.
 5. If EMPLOYEE EFT = Y, reads the employee banking file (using agency number and employee SSN from vendor file) looking for a match. If found, processes payment as an EFT.
 6. If not found, processes payment as a warrant.
 7. If paid by EFT, produces statewide vendor remittance advice in addition to the agency warrant register and remittance advice documentation.
- OFM/CMS**
8. Mails vendor copy of remittance advice to employee. A sample remittance advice is shown on the next page.

*** **SAMPLE EMPLOYEE REMITTANCE ADVICE** ***

000-0 *****
RPT DWP827SW

S T A T E O F W A S H I N G T O N
D I R E C T D E P O S I T N O T I F I C A T I O N

***** VEN PAGE: 1
(360) 664-7779

JOAN A SMITH
123 MAPLE STREET N
ANYTOWN, WA 98555

DEPOSIT DATE: 05/11/05
VENDOR NUMBER: 0000098765-00

OFFICE OF STATE TRAINING -- 9990

<u>PAYMENT #:</u>	<u>BATCH:</u>	<u>PHONE #:</u>	<u>PYMT TOTAL:</u>	<u>\$</u>	<u>103.10</u>
INV DATE	INVOICE NUMBER / MESSAGE	ACCOUNT NUMBER	DOCUMENT #		AMOUNT
04 26 05	APRIL TRAVEL		12345678-90		28.10
	MILEAGE				
04 26 05	APRIL TRAVEL		12345678-90		65.00
	LODGING/SUBSISTENCE				
05 03 05	MAY TRAVEL		12345678-90		10.00
	PARKING				
OFFICE OF STATE TRAINING TOTAL		103.10			

IV. Deposit Date of Employee EFT Payments

One of the most important factors from the employee perspective is “*When will the money be deposited in my account?*” The timing of employee EFT payments is the same as EFT payments for vendors with one minor difference. For both types of EFT payments, the date the money will be deposited to their account (referred to as “effective date” or “settlement date”) is the third state business day after successful processing in AFRS. For example, if you input and release a batch on Monday and it is successfully processed by AFRS that night, the deposit date is on Thursday.

The minor difference is when the financial institution (bank, credit union, etc.) is required to post the credit to the individual’s account. Because these employee payments are mainly reimbursements as opposed to commercial payments, the type of EFT file we send is different than the vendor payments file. For employee payments, financial institutions are required to make funds available *at opening of business on the settlement date* (or by 9:00 a.m. local time in the case of Automated Teller Machines). For the vendor payments, financial institutions have to credit the customer’s account no later than the settlement date, but they can credit it at any time during that day.

For travel reimbursement, per the Statewide Administrative and Accounting Manual, section 10.80.30.b, the agency fiscal office is responsible to “Process the payment to pay the employee no later than ten (10) work days after receipt of the properly completed Travel Expense Voucher.”

Please note that employees are considered paid on the settlement date. Therefore, in order to meet this requirement, the reimbursement transactions must be posted to AFRS no later than seven working days after agency receipt of the properly completed Travel Expense Voucher.

Questions and Answers

Following are some questions you might have about paying employees by EFT and the answers to these questions. If you have additional questions, we welcome you to send them via e-mail to afrrshelpdesk@ofm.wa.gov or to call the AFRS Help Line at (360) 664-7725.

1. Do I have to use a special batch type for employee EFT payments?

No, you do NOT have to use a special batch type for employee EFT payments. These payments can be combined with any other type of payment (vendor EFT, Inter-Agency Payment (IAP), inserted warrant or regular warrant payments).

2. How will I know which method an employee was paid by?

The Warrant Register Detail Reports (DWP82501, DWP82502 or DWP82503) display the payment type next to each payment. You can also tell by the last digit of the payment number/warrant number shown on the Warrant Register Detail reports, remittance advices, and on various AFRS and Disbursement Reporting System (DRS) screens and reports. Warrants always have 6 numbers + an alpha character (for example, 123456A) while EFT payments are 6 numbers + an exclamation mark (for example, 987654!).

3. If the employee vendor record shows EMPLOYEE EFT = Y, why would that employee receive a warrant?

First, make sure you entered the employee's vendor number on the AFRS payment transaction. If you did and the EMPLOYEE EFT switch = Yes on that vendor record, the most likely explanation is that the employee changed bank accounts in payroll and the new bank account is in the process of being pre-noted (verified with the bank). You will recall that when you changed the employee's vendor record, AFRS checked the employee banking file and would not let you set the EMPLOYEE EFT switch to 'Y' unless the employee's record was found. However, since that time the employee could have changed bank accounts or stopped direct deposit for payroll. If the employee recently changed his/her bank account number, it is likely in a pre-note status which means this is a temporary condition. If the employee stopped direct deposit for payroll, AFRS will continue to pay this employee by warrant.

4. What if I pay the wrong employee?

If you pay the wrong employee, it is your responsibility to contact the employee or vendor paid in error and make arrangements to recover the funds. OFM and the State Treasurer will NOT do a reversal for an erroneous payment except in extreme situations. However, if you use the AFRS tools as they are designed, this should not happen.

Your first line of defense is verifying the employee name and SSN when setting the EMPLOYEE EFT switch. When you do a Change or Add function with a 'Y' in this field, AFRS will read the HRISD file for the SSN listed and will return the employee's name. Verify the name before pressing Enter! This will prevent employee name/SSN mismatches. Reference section II. Updating Agency Vendor Record For Employees Requesting EFT – for more details.

The second line of defense is verifying the vendor names on transactions within a batch prior to release. This can be done using the Browse screen or Payments function which are available via the Batch Header Summary (IN.3) screen. These options are also available to agencies that interface batches to AFRS.

5. What documentation will we receive for EFT payments to employees?

You will receive the same warrant register and remittance advice documents you currently receive. EFT payments will be included along with warrants on the Warrant Register Detail reports (DWP82501, DWP82502 or DWP82503). The DWP82501 report sorts by payment number so all the EFT payments will show up together. The DWP82502 report sorts by vendor name so the warrants and EFT payments will be intermingled. The DWP82503 report sorts by your agency current document number.

6. Why does it take three business days for the money to get to the employee's bank account?

EFT payments must conform to the standards of the National Automated Clearing House Association (NACHA). NACHA rules state that ACH credit entries can be submitted to the ACH Operator (Fed Reserve) one or two business days prior to the Effective Entry Date (i.e. deposit date). Using the two-day window ensures adequate time for the files to process through the ACH (Automated Clearing House) system and for the receiving financial institutions to post credits to the vendor accounts by the deposit date. Based on recommendations of the Office of State Treasurer, we follow the practice of submitting files two days prior to deposit.

There are several steps the payment file has to go through before it reaches the final destination of the employee's bank account. Here's a summary of what happens behind the scenes:

- *You input and release a batch (on Monday, for example)*
- *That night AFRS creates the payment file and forwards it to the Office of State Treasurer (OST).*
- *OST receives the file the next morning (Tuesday) and forwards it to the State's bank (currently Bank of America).*
- *Bank of America forwards the file to the ACH Operator (Federal Reserve Bank).*
- *The ACH Operator performs certain basic edits (ensures data is present in required fields), verifies the settlement date meets certain guidelines, sorts payments based on the transit routing numbers (bank ID), and forwards the transactions to the appropriate banks.*
- *The receiving banks edit the transactions received against their files to make sure the account numbers are valid and, on settlement date (Thursday), credit the customers' accounts.*
- *The ACH Operator (Federal Reserve Bank) makes the actual electronic transfers of funds from the paying banks to the receiving banks on the settlement date (Thursday).*

7. What are the benefits of receiving payments by EFT?

There are benefits for all parties involved. For employees, the main benefit is convenience and security. Having travel and other payments directly deposited saves them a trip to the bank and eliminates lost or stolen warrants. From the agency perspective, there are direct cost savings in paying by EFT such as elimination of warrant and mailing costs. In addition, staff time can be redirected from mailing warrants to higher priority tasks. There are also cost savings for the State as a whole because it is less expensive for the State Treasurer to process EFT's than warrants.

8. Is there a one-time EFT option for an employee who only wants EFT while on vacation?

There is not a specific feature to set an employee up to receive only one EFT payment. An agency could allow this by changing the employee's vendor record to EMPLOYEE EFT = 'Y' (Yes) for one payment and then changing it back to 'N' (No). This is an internal agency decision. However, our recommendation is to use this situation to market the EFT feature to the employee. Encourage the employee to try it for several payments with the knowledge that they can revoke their request at any time. We think that once they try it, they will enjoy not having to make extra trips to the bank.

9. Can taxable non-payroll payments to employees be made by EFT?

Yes, but the taxation of the payment must be done through the Payroll Office/System. Discuss this with your agency fiscal officer. Some agencies tax the taxable portion of the employee's payment by making the payment through AFRS (by warrant or EFT) and informing the Agency Payroll Office as to which employees must be taxed, for what event, and the value to be taxed. Other agencies process taxable payments directly through the Agency Payroll Office. Still others do a combination of processes, depending on the payment type.

Some examples of taxable non-payroll payments may include taxable tuition reimbursements, travel and meal reimbursements, commute trip cash incentive payments, and moving expense payments/reimbursements. The taxation of any taxable vendor payment for an employee must be processed through the Agency Payroll Office with the appropriate federal employment taxes withheld from the employee's payroll.

This information is required to be reported on IRS Form W-2 or W-2c. Do not attempt to report these payments on Form 1099-MISC. Questions related to this issue should be directed to the OFM Accounting Division, Payroll Consultant.

10. What if my agency paid an employee by EFT but the employee says they did not receive the money?

In general, this is an issue either with timing or confusion about which account is being used. Ask the employee if they received a Direct Deposit Notification. If so, ask them to locate where it says "Deposit Date" and ask them what date it shows. They may have received the notification a day or two before the deposit date.

If the deposit date is today or prior to today, the employee needs to be sure they are looking at the correct bank account. Some employees have payroll deductions that post electronically to a different account than their net pay. The account used for their payroll net pay is the account used by AFRS for these EFT payments. The employee should contact the ACH Department of their financial institution for assistance.

If the problem cannot be resolved by the financial institution, contact the vendor help line. Refer to Contact List in next section.

OFM Contact List

AFRS/EFT QUESTIONS:

AFRS Help Line (360) 664-7725 afrshelpdesk@ofm.wa.gov

For general questions about AFRS processing, AFRS errors, AFRS payments, agency vendor records, AFRS reports (such as warrant registers and remittance advices).

Vendor Help Line (360) 664-7779 vendorhelpdesk@ofm.wa.gov

For questions about specific EFT payments or statewide vendor records.

Please note that the help lines are designed so that your call will be answered by a person, not voice mail, during normal business hours. If it is imperative that you speak to someone right away, we recommend using one of these help line numbers. If you call an individual on their direct line and they do not answer, you have the option to leave a voice mail message or press zero to reach a receptionist.

FOR QUESTIONS REGARDING TAXABLE EMPLOYEE PAYMENTS:

Steve Nielson (360) 664-7681 steve.nielson@ofm.wa.gov

(REV. 01/00)



**STATE OF WASHINGTON
ELECTRONIC FUNDS TRANSFER
OF EMPLOYEE NON-PAYROLL PAYMENTS**

Employee: (1) Complete the form, sign and date;
(2) Please send the completed form to your FISCAL OFFICE.

NAME (Last, First, Initial)	SOCIAL SECURITY NO.	AGENCY	AGENCY CODE
EMPLOYEE'S ADDRESS			AGENCY SUB CODE

In accordance with RCW 43.41.180, I hereby authorize and request that all non-payroll payments paid to me through AFRS (Agency Financial Reporting System) be transferred to the financial institution (bank, credit union, etc.) and account designated for payment of my state salary.

In the event that the state may be legally obligated to withhold any part of my payment, I understand that the state shall have the authority to immediately terminate any transfer made under this authorization.

I understand that:

- These payments will utilize my current financial institution and account information from the Department of Personnel's HRISD payroll system.
- If my account status in the HRISD payroll system is unavailable for direct deposit for any reason, I will receive my payment in the form of a warrant.
- The Office of Financial Management and the Washington State Treasurer's Office may initiate a reversing entry to recall a duplicate or erroneous entry which they previously initiated, in accordance with the National Automated Clearing House Association rules.
- This form does not change my payroll authorization. All direct deposit change requests are to be made through the agency payroll office.

This authority is in force until written notification is received from me regarding its termination, or my death. This authorization will not be in effect for any payments made on or after separation from this agency.

EMPLOYEE'S SIGNATURE

DATE

For Fiscal Use Only		
VENDOR NUMBER	VENDOR RECORD UPDATED BY	DATE